

INTERSTATE POWER COMPANY  
EXHIBIT NO. 1.0  
ICC DOCKET NO. \_\_\_\_\_

**STATE OF ILLINOIS**  
**ILLINOIS COMMERCE COMMISSION**

IN RE:

INTERSTATE POWER COMPANY

DOCKET NO. 00- \_\_\_\_\_

APPLICATION FOR APPROVAL OF  
AFFILIATED INTEREST CONTRACT  
(Generator Maintenance Services Contracts  
-ReGENco LLC)

**DIRECT TESTIMONY**

**OF**

**Daniel L. Mineck**

**SEPTEMBER 12, 2000**

1    **Q.    Please state your name and business address.**

2    A.    My name is Daniel L. Mineck. My business address is 200 First Street, SE, Cedar  
3        Rapids, Iowa 52406-0351.

4    **Q.    By whom are you employed and in what capacity?**

5    A.    I am employed by Alliant Energy Corporation ("Alliant Energy") in the capacity of Vice  
6        President-Performance Engineering and Environmental. I am responsible for  
7        Environmental and Safety, Thermal Performance, Recurring Projects, Engineering  
8        Projects, Power Plant Performance Support, Outage Management and Process  
9        Performance.

10   **Q.    Would you please state your educational background?**

11   A.    I graduated from Iowa State University in 1971, with a Bachelor of Science in  
12        Mechanical Engineering.

13   **Q.    Please describe your prior work experience.**

14   A.    After participating in a co-operative work/study program prior to graduation from Iowa  
15        State, I joined Iowa Electric Light and Power Company (IE) as a Mechanical Engineer. In  
16        1973 I was promoted to a shift supervisor at IE's Duane Arnold Energy Center (DAEC) a  
17        nuclear power plant located near Palo, Iowa. In 1976 I was appointed Assistant Plant  
18        Manager – Nuclear Division for IE. I was promoted to Plant Manager – Nuclear Division  
19        for IE in 1979. In 1987 I was appointed IE's Manager – Fossil Division and I held this  
20        position until 1989 when I accepted the position of IE's Manager – Nuclear Division. In

21 1991, I was appointed Manager-Economic Development for IES Industries Inc. and held  
22 this position until 1994 when I accepted the position of Assistant Vice President-Nuclear  
23 Division for IES Utilities Inc. (IES) IE's successor. In 1996, I was appointed to the  
24 position of Assistant Vice President-Engineering for IES. In 1998, I was promoted to my  
25 present position.

26 **Q. Are you a member of any professional societies or organizations?**

27 A. I am a member of the American Society of Mechanical Engineers and the American  
28 Nuclear Society.

29 **Q. Have you previously testified before any regulatory agency?**

30 A. Yes, I have testified before the Iowa Utilities Board.

31 **Q. Please briefly describe the formation of Alliant Energy?**

32 A. On November 10, 1995, Holdings, a holding company incorporated under the laws of the  
33 State of Wisconsin; IES Industries Inc., ("Industries") a holding company incorporated  
34 under the laws of the State of Iowa; and IPC, entered into an Agreement and Plan of  
35 Merger. After the effective date of the merger (April 21, 1998), the name of Holdings was  
36 changed to Interstate Energy Corporation (IEC). IEC changed its name to Alliant Energy  
37 Corporation at its 1999 Annual Meeting.

38 **Q. Could you please describe the corporate structure of Alliant Energy?**

39 A. Under the terms of the merger agreement IPC, IES, a subsidiary of Industries operating as  
40 an electric and gas public utility in Iowa; and WPL, operating as an electric and gas

41 public utility in Wisconsin; are utility subsidiaries of Alliant Energy. Alliant Energy is a  
42 registered public utility holding company under the Public Utility Holding Company Act  
43 of 1935. South Beloit Water, Gas & Electric Company ("SBWGE") remains a wholly-  
44 owned subsidiary of WPL.

45 **Q. Please describe the business unit organizational structure that Alliant Energy**  
46 **employs.**

47 A. Alliant Energy has generally organized its businesses, for reporting purposes, into four  
48 business units. The energy delivery services business unit is headquartered in Cedar  
49 Rapids, Iowa and is responsible for the pipes and wires portion of the Alliant Energy  
50 operating utility subsidiaries. The generation business unit is located in Madison, Wisconsin  
51 and is responsible for the operation of the electric power plants of the Alliant Energy  
52 operating utility subsidiaries. The third business unit is Alliant Energy Corporate Services,  
53 which is located in Dubuque, Iowa. The last business unit is Alliant Energy Resources,  
54 Inc., (AER) which is headquartered in Cedar Rapids, Iowa. AER owns all of the issued  
55 and outstanding common stock of Alliant Energy Investments, Inc. (formerly IES  
56 Investments, Inc.), which in turn owns all of the outstanding common stock of Heartland  
57 Energy Services, Inc. (HESI), which currently has no business operations.

58 **Q. Has this business unit structure changed the entities subject to the Illinois Commerce**  
59 **Commission's ("Commission") jurisdiction?**

60 A. No. The Illinois public utility functions and operations of IPC and SBWGE continue to be  
61 owned and operated by IPC and SBWGE respectively, subject to the Illinois Commerce  
62 Commission's ("Commission") jurisdiction.

63 **Q. When did the Commission approve the Alliant Energy merger?**

64 A. The Commission approved the Alliant Energy merger on May 9, 1997, in  
65 Interstate Power Company and South Beloit Water, Gas & Electric  
66 Company, Docket No. 96-0122.  
67

68 Also by its Order of May 9, 1997, in Docket No. 96-0122, the Commission approved  
69 Service Company Agreements for Alliant Energy. Those agreements have been  
70 amended. The Commission approved those amendments in Docket No. 98-0011.

71 **Q. What is the purpose of your testimony in this docket?**

72 A. I will explain the reasons for AER's investment in ReGENco LLC (ReGENco) and  
73 explain why the Commission should approve the affiliate contracts that were attached to  
74 IPC's application in this docket.

75 **Q. Please explain how AER acquired an interest in ReGENco?**

76 A. On November 16, 1999, HESI acquired 301.508 (representing 30.15%) of the Class A  
77 Units of ReGENco LLC ("ReGENco"), a Wisconsin limited liability company, for an  
78 initial investment of \$1,083,333.33, and entered into a subscription agreement to acquire  
79 666.667 (representing 66.66%) of the class B Units of ReGENco for an additional  
80 investment of \$1,666,666.67. Other investors in ReGENco include WITECH

81 Corporation, a non-utility subsidiary of Wisconsin Energy Corporation, an exempt  
82 holding company, and several private investors.

83 **Q. Could you please describe ReGENco and its business?**

84 A. Yes. ReGENco was formed to fill the need in the Midwest for turbine-generator services  
85 that was created by the recent decision of Siemens-Westinghouse Power Corporation to  
86 close its facility in West Allis, Wisconsin, near Milwaukee. ReGENco provides turbine  
87 and generator repair/upgrade services and related project management and engineering  
88 services to utilities and other customers with an emphasis on the Midwest market. In  
89 addition, through strategic alliances with other companies, ReGENco intends to offer a  
90 full line of integrated project management, product and service engineering and servicing  
91 for the turbine and generator market on a national scale. It is the goal of the founding  
92 members of ReGENco to promote competition in the Midwest for turbine and generator  
93 repair/upgrade services.

94 **Q. Why is the formation of ReGENco important to IPC and other Alliant Energy**  
95 **subsidiaries?**

96 A. ReGENco is currently leasing a portion of the former Siemens-Westinghouse Power  
97 Corp. facility in West Allis, Wisconsin, from an entity controlled by one of the private  
98 investors in ReGENco. This facility is located in close proximity to many of Alliant  
99 Energy's power plants. The proximity of a repair facility to a generating station can be  
100 an important consideration in terms of reducing the average length of a plant outage for

101 turbine or generator repair/upgrade services, and can also reduce the risk of loss or  
102 damage to equipment associated with long-distance shipment. If IPC or Alliant Energy  
103 did not have access to the ReGENco facility, they would in many cases be forced to ship  
104 generator and turbine components to similar repair facilities located outside the Midwest  
105 market; increasing our costs of doing business.

106 **Q. Does ReGENco's management structure allow Alliant Energy complete control over**  
107 **its activities?**

108 A. No. Under its operating agreement, the management of ReGENco is vested exclusively in  
109 an Advisory Board, which is appointed by the holders of the Class A Units. The  
110 Advisory Board is made up of seven individuals, of whom two are selected by AER's  
111 subsidiary -HESI. The vote of a majority of the members of the Advisory Board (i.e.,  
112 four advisors) is required for consent or approval of any action taken by the Advisory  
113 Board. Among its other powers, the Advisory Board appoints the officers of the  
114 company who are, subject to certain restrictions, responsible for the day-to-day conduct  
115 of the business of ReGENco. I serve as the Chairman of the Advisory Board. The  
116 President and Chief Operating Officer of ReGENco are two of the individual investors,  
117 one of which, the President, was previously a part of the Siemens-Westinghouse Power  
118 Corporation team.

119 **Q. Could you please describe the contracts that IPC seeks Commission approval?**

120 A. Yes. IPC seeks Commission approval for two separate contracts through which  
121 ReGENco may provide services to IPC. IPC contemplates entering into an Agreement  
122 for the Provision of Engineering Services. Under this contract, engineering services  
123 would be provided by ReGENco in such areas as turbine and generator studies, blade  
124 inspection and analysis, special tests, metallurgical analysis, ultrasonic inspections, and  
125 similar services. A Copy of the Agreement to Provide Engineering Services is attached  
126 to IPC's Application as Exhibit 2.0. In addition, IPC contemplates entering into an  
127 Agreement for the Provision of Equipment Repair Services. Under this contract,  
128 equipment Repair Services would be provided by ReGENco including Customer Shop  
129 Repair and/or Technical Services relating to turbine repair and upgrade services, blade  
130 repair and replacement, diaphragm repair, rotor and casing repair, valve repair,  
131 combustion and transition piece repair, rotor and stator repairs, and replacement and  
132 repair of retaining rings. A copy of the Agreement to Provide Equipment Repair Services  
133 is attached to IPC's Application as Exhibit 3.0.

134 **Q. Does IPC plan on contracting with ReGENco for these services without seeking**  
135 **competitive bids?**

136 A. No. IPC is requesting approval to enter into these Agreements with ReGENco to obtain  
137 turbine and generator repair/upgrade and engineering services at market-based prices, as  
138 determined through competitive bid procedures. Specifically, before entering into any



139 purchase order with ReGENco, IPC will seek competitive quotes from one or more  
140 unaffiliated vendors of similar services.

141 **Q. Could you please provide further information as to how IPC envisions contracting**  
142 **with ReGENco for specific services?**

143 A. ReGENco will provide services to IPC (and all its customers) pursuant to terms and  
144 conditions set forth in standard master agreements for equipment repair and/or for  
145 engineering services. See Exhibits 2.0 and 3.0 attached to IPC's Application. The scope  
146 of work will be as set forth in individual purchase orders, and the terms of payment will  
147 be as set forth in rate sheets that are attached to each standard agreement. The rate sheets  
148 list standard labor dollars that will be applied to different categories of work (e.g., shop  
149 repair for generators or turbines, machining, field service, etc.). The rates set forth in the  
150 rate sheets used for affiliate work (like IPC) will be no higher than the rates ReGENco  
151 will charge non-affiliates.

152 **Q. Does this assure comparable treatment for affiliates and non-affiliates?**

153 A. Yes. The terms and conditions under which ReGENco will do business will assure  
154 comparable treatment of affiliates and non-affiliates alike. As described above, this will  
155 include the use of standard contracts and the use of standard rate sheets for similar work  
156 performed for all customers. In addition, IPC will request competitive bids from third-  
157 party vendors for all generator and turbine repair work and engineering services on which

ReGENco makes a proposal. IPC will not contract with ReGENco in any case in which the terms proposed by ReGENco are not the most favorable.

**Q. Is the success of ReGENco dependent upon securing contracts with the Alliant Energy Operating Companies?**

A. No. It is anticipated that the Alliant Energy Operating Companies will account for no more than 10% of ReGENco's overall operations on an ongoing basis. Hence, this is not a case in which the success of a non-utility subsidiary is dependent upon revenues from affiliated utilities. Further, the presence of ReGENco as a supplier to the Alliant Energy Operating Companies will promote rather than limit or reduce competition for generator and turbine repair/upgrade services. As indicated, with the closure of the Siemens-Westinghouse Power Corp. facility in West Allis, Wisconsin, the Alliant Energy Operating Companies now have limited options available to it in procuring services of the type that ReGENco is capable of providing.

**Q. Are there any other factors that the Commission should consider to assure itself that IPC's ratepayers will not be disadvantaged by the approval of these agreements?**

A. Any costs incurred by IPC for the repair or refurbishment of any of its electrical generating equipment will be subject to review by the Commission before inclusion in cost of service. Thus, to the extent that charges by ReGENco are determined to be excessive, the Commission may disallow recovery thereof in rates. It should be recognized that AER's investment in ReGENco was not based upon securing below-

178 market priced services for the Alliant Energy Operating Companies but rather was  
179 independent of any particular level of services being provided to them by ReGENco.  
180 Quite simply it was an independent investment decision. Likewise, IPC's decision to  
181 secure ReGENco's services is independent of AER's investment in ReGENco. A descion  
182 to use ReGENco's services will be driven by ReGENco's ability to offer competitive  
183 services. However, since ReGENco would be deemed an affiliate of IPC, the  
184 Commission must approve these master agreements (Exhibits 2.0 and 3.0) in order that  
185 IPC can avail itself of ReGENco's competitive services.

186 **Q. Does this conclude your direct testimony in this docket?**

187 **A.** Yes, it does.